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Subject Fw: Cabrillo Port Mitigation Update



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04/13/06 09:28 PM

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Subject Cabrillo Port Mitigation Update

Amy: This email is to confirm our discussion earlier today. Late this afternoon Sause Brothers informed us that the fuel usage in 2005 may have been 581,000 gallons rather than the 800,000 gallons that were identified in the repowering contract materials. These numbers are preliminary and subject to change. The consultant says that the Sause records are not the most organized and that there may be additional fuel receipts that he has not yet been provided. Therefore, while historical fuel usage will not go down, it could go up as we proceed with our due diligence. However, if the baseline fuel usage does turn out to be 581,000 gallons per year, the NOx emission reductions attributable to the project will go from a whopping 169 tons per year to a still quite substantial 123 tons per year. We will keep you posted as we get any new information on this topic.

While it is possible that the Sause repowering project could yield fewer NOx reductions than identified in my April 11, 2006 letter, this does not impact BHP's mitigation ability to mitigate its stationary source emissions by means of the repower project. Even if the lower fuel usage turns out to be true, the Sause repower project is projected to reduce nearly twice as many tons of NOx as the stationary source is projected to emit. Given the decrease in diesel particulate matter and the fact that the Sause emissions occur significantly closer to the coastline than the Cabrillo Port direct and indirect emissions, the repowering project is of tremendous benefit to California's air quality. Therefore, while our numbers may change from what I submitted in writing, BHP still believes that the repower project will provide ample project mitigation and will result in improved onshore air quality.

We will submit additional documentation about the projected emission reductions as it becomes available. In the meantime, please call or email if you have any questions.

Tom

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